FINDINGS

Taxing Snacks To Reduce Obesity

Salty snacks are an American favorite. Ninety-nine percent of U.S. households purchased some salty snacks, which include potato chips, corn chips, pretzels, tortilla chips, cheese puffs, microwave popcorn, and nuts, in 1999. On average, each U.S. household spent $76 on 32 pounds of salty snacks. Backers of a proposed tax on snack foods argue that such a tax will improve diets and health by reducing consumption.

Selective taxation of particular food items is rare for the Federal Government. Now, some public health advocates and health researchers are proposing an excise tax on snack foods as a way to reduce the prevalence of obesity in the United States. Three variations on such a tax have emerged, each envisioning a different pathway toward improving consumers' diets and health. A tax imposed on snack foods that is paid by consumers would increase the price of snack foods and might give consumers an incentive to cut back on such items. A consumer-paid tax targeted at foods that contain particular unhealthy food attributes, such as saturated fat, might encourage food manufacturers to reformulate their products and offer consumers more healthful alternatives. The third variation involves earmarking the tax revenue to fund information programs promoting healthy diets and lifestyles.

Whether such a tax will change consumers' diets depends on how big an incentive the tax provides for consumers and how responsive consumers are to price increases. ERS researchers used ACNielsen Homescan panel data to examine likely impacts of taxes on consumers' dietary choices. Households providing the data recorded their food purchases from grocery stores and other retailers using in-home scanners.

While almost every household purchases some salty snack foods and would bear the burden of a tax, salty snacks constitute a minute share of the household budget. For example, the income group with the highest per capita expenditure on salty snack foods spent just 0.2 percent of its average $37,500 annual income on salty snacks. With expenditure shares that small, snack food purchases will probably decline very little in response to tax-induced price increases.

Nearly all households purchase salty snacks

Snacks	Share of households that purchased snacks	Average yearly quantity purchased by households that did purchase		Yearly expenditure by households that did purchase
	Percent	*Pounds per household*	*Pounds per capita*	*Dollars*
Potato chips	91.3	9.8	4.2	26.14
All chips	95.5	16.3	7.0	41.43
Other salty snacks[1]	96.8	16.5	7.9	37.41
All salty snacks	99.2	31.8	14.5	76.39

[1]Includes pretzels, microwave popcorn, cheese puffs, and nuts.
Source: Tabulations from ACNielsen Homescan panel, 1999.

ERS researchers simulated tax impacts by using different measures of consumer responsiveness to prices and different tax rates. Relatively low tax rates of 1 percent and 1 cent per pound had negligible impacts on purchases of salty snack foods. For these cases, taxes would not appreciably alter diet quality or health outcomes. Tax revenues would, however, be positive—approximately $40 million per year for the 1-cent-per-pound tax and above $100 million for the 1-percent tax.

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This finding is drawn from . . .

Taxing Snack Foods: What To Expect for Diet and Tax Revenues, by Fred Kuchler, Abebayehu Tegene, and J. Michael Harris, AIB-747-08, USDA/ERS, August 2004, available at www.ers.usda.gov/publications/aib747/aib74708.pdf

"Taxing Snack Foods: Manipulating Diet Quality or Financing Information Programs?" by Fred Kuchler, Abebayehu Tegene, and J. Michael Harris, *Review of Agricultural Economics*, Vol. 27, No. 1, Spring 2005, forthcoming.

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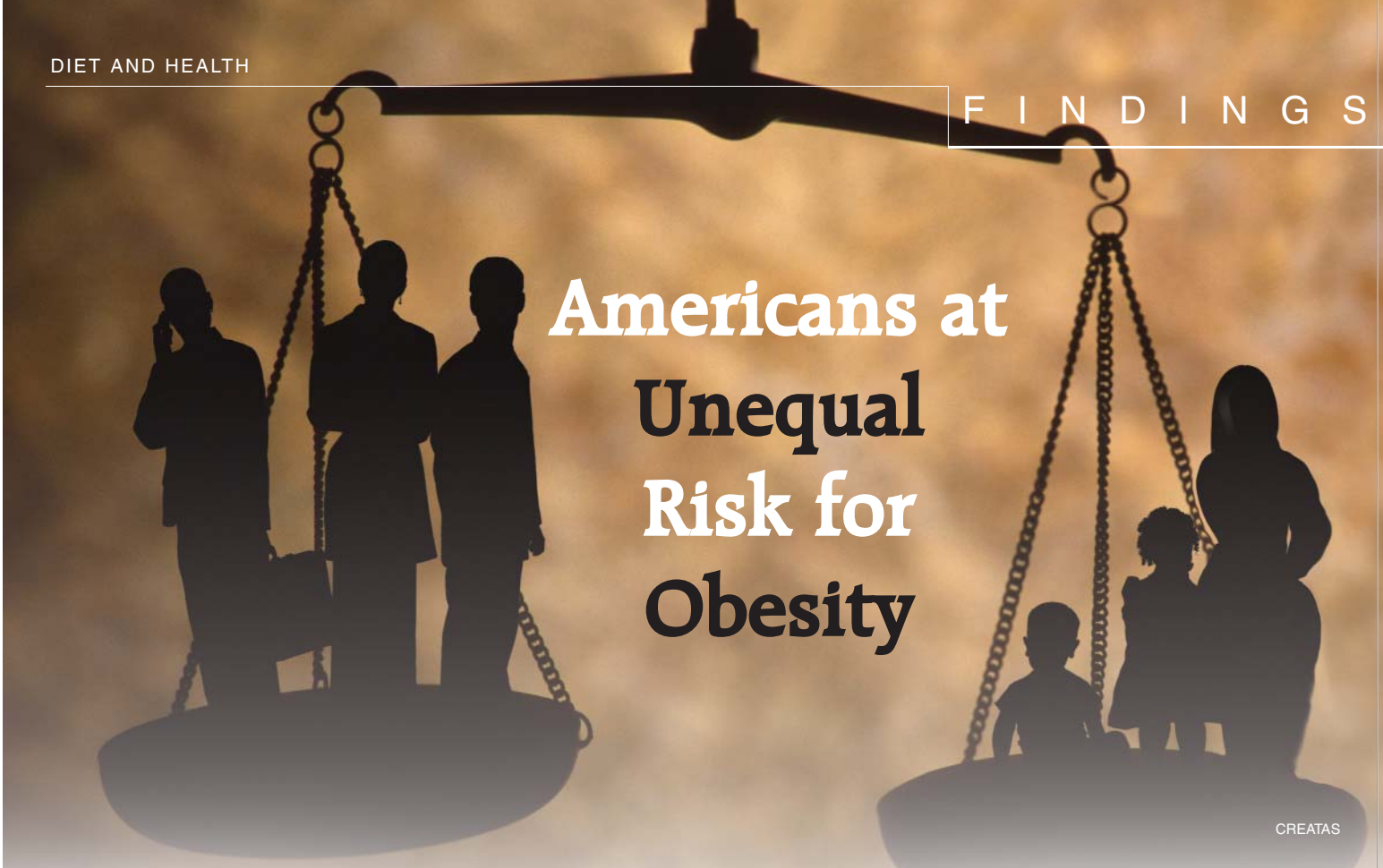


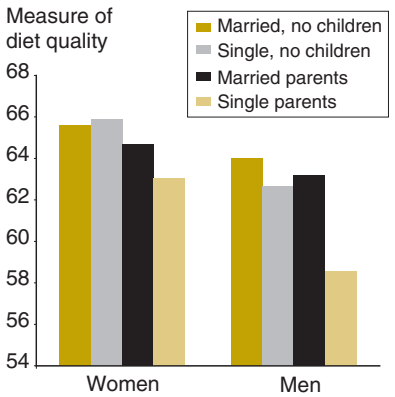
Americans at Unequal Risk for Obesity

The well-publicized rising incidence of obesity in America is occurring among all population groups. Not everyone, however, is equally at risk of becoming overweight or obese, or at risk for the same reasons. Researchers at ERS have found that individuals who have not gone to college, women with lower incomes, single mothers, and men in rural areas are significantly more likely to be overweight or obese.

Variation in body weight is partially determined by our genes, but is also related to what we eat and how active we are. Individuals who exercise more frequently, watch less television, drink fewer sugary beverages, and eat a healthful diet are more likely to have a healthy body weight. Differences in attitudes about diet and health also correlate with weight differences. Compared with healthy-weight women, overweight and obese women are less likely to believe they have control over their weight. And overweight and obese men are less likely to assess their weight status accurately than healthy-weight men: nearly 60 percent of overweight and obese men consider themselves to be a healthy weight.

ERS researchers found that several socioeconomic factors, such as the level of education, marital status, and the presence of children in the household, correlate with the food choices, activity levels, and health-related attitudes that affect body weight. For example, people with a college education eat a more healthful diet, watch less TV, drink fewer soft drinks, and skip breakfast less often. Women with a college education have a greater feeling of control over their own weight and exercise more frequently. Married parents have a more healthful diet, skip breakfast less often, and drink fewer sugary beverages than single parents. Women who are married with children watch less television than women without children or single mothers. And, men with no children exercise more frequently than men with children.

Diet quality varies with gender and household composition



Higher diet quality is associated with healthier body weight. Diet quality, measured on a scale of 0 to 100 (perfect score), reflects how closely an individual's diet conforms to the Federal Dietary Guidelines by consuming the recommended servings from each food group, while limiting consumption of fats, cholesterol, and sodium.

Insights from this study can suggest ways to tailor health education for specific individuals to promote changes in certain behaviors and attitudes. For example, encouraging busy single parents to incorporate frequent, but not necessarily lengthy, sessions of physical activity into their daily routine may be more effective than prescribing 30 minutes of continuous activity each day. Other groups of Americans could benefit from more tailored nutrition and exercise messages as well.

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This finding is drawn from . . .

The Role of Economics in Eating Choices and Weight Outcomes, by Lisa Mancino, Biing-Hwan Lin, and Nicole Ballenger, AIB-791, USDA/ERS, October 2004, available at: www.ers.usda.gov/publications/aib791/